IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
TYLER DIVISION

JOAO BOCK TRANSACTION SYSTEMS OF TEXAS, LLC,	§	
	§	**CIVIL ACTION NO.**
Plaintiff,	§	**6:09-cv-208-LED**
vs.	§	
AT&T Mobility LLC, et al.	§	**JURY TRIAL DEMANDED**
Defendants.	§	

DEFENDANTS' NOTICE OF PROPOSAL FOR ECONOMICAL AND EFFICIENT TRIAL AND TRIAL PREPARATION

Pursuant to the Court's April 15, 2010, Order (Docket No. 204), Defendants present the following proposal to allow the parties to prepare this case for trial and to try the case in an efficient and economical manner.

This case presents unique issues because most of the asserted claims in this case are substantially similar to invalidated claims in a related patent. A jury in the Southern District of New York recently found several relevant claims of the parent patent of the '003 Patent at issue in this case invalid and not infringed. *Sleepy Hollow Bank, et al.*, Civ. Case. No. 7:03-civ-10199.[1] Final judgment is expected to be entered on that verdict in May or June. Because the invalidated *Sleepy Hollow* claims are similar to most of the asserted claims in this case, Defendants propose that the parties address the key issue of invalidity before being forced to fully engage in the most costly aspect of patent litigation – discovery.

Defendants therefore propose that the Court (1) order the parties to complete Initial Disclosures and comply with P.R. 3-1 through 3-4 and then (2) stay all remaining discovery

[1] The jury found all asserted claims – Claims 108, 109, 267, 280, 293, and 294 – of U.S. Patent No. 6,529,725 not infringed and invalid on multiple grounds.

pending early briefing on Summary Judgment of invalidity, stemming primarily from the *Sleepy Hollow* court's judgment. Separately, Defendants propose that the Court enter a discovery plan that balances the need to identify relevant documents with the substantial cost of document collection, review, and production.

Counsel for all Defendants had a telephone conference with counsel for Plaintiff on Thursday, April 22, and the parties have continued to correspond by telephone and e-mail. Plaintiff does not at this time agree to the early summary judgment proposal laid out in Sections I through III of this Notice, but does agree to the focused discovery proposals described in Section IV.

I. SUBSTANTIALLY SIMILAR CLAIMS TO THOSE ASSERTED AGAINST THE DEFENDANTS HAVE BEEN INVALIDATED

On March 16, 2010, the jury in the *Sleepy Hollow* case returned a verdict finding all asserted claims invalid on multiple grounds, including anticipation, prior invention, and obviousness. *See* Verdict Slip (Ex. A). The Court in the *Sleepy Hollow* case has indicated its intent to enter final judgment in early to mid June.[2] The '725 Patent at issue in the New York case shares a common specification with U.S. Patent No. 7,096,003 at issue in this case. The '003 Patent also is subject to a terminal disclaimer disclaiming any term beyond the '725 Patent. As shown in Exhibit B, each independent claim asserted by Joao in this case against the Defendants, and in particular the Financial Defendants, bears a strong resemblance to one of the two invalidated independent claims of the '725 Patent. And to the extent there are differences between the *Sleepy Hollow* claims and the presently asserted claims, Defendants believe that these differences are not of patentable significance. It is thus likely that the claims against some,

[2] The Court previously granted plaintiff's counsel's request to withdraw as counsel of record. Plaintiff has retained new counsel, who has asked the Court until May 14, 2010 to respond to defendant's post-trial memorandum with respect to the form of judgment. Nonetheless, the defendant in *Sleepy Hollow* expects entry of a final judgment by early to mid-June.

or all, of the Defendants can be resolved in whole or in part based on the prior judgment and holdings (such as claim constructions and scope of the prior art) of the *Sleepy Hollow* case on the basis of collateral estoppel. It is similarly likely that other asserted claims can be invalidated over additional prior art building on the art from the *Sleepy Hollow* case.

II. EARLY SUMMARY JUDGMENT OF INVALIDITY WILL SAVE COSTS AND MAY STREAMLINE THE CASE

Defendants propose that the Court order early briefing on Summary Judgment of invalidity with Defendants' Opening Brief(s) due 60 days after Defendants serve its invalidity contentions. Even earlier than that date, the Financial Defendants anticipate bringing a Motion for Summary Judgment based on collateral estoppel from the *Sleepy Hollow* judgment. Prior to resolution of the Summary Judgment Motions, Defendants propose that the Court order a stay of all discovery beyond the parties' Initial Disclosures and compliance with P.R. 3-1 through 3-4, and depositions of any experts or declarants upon whom any party relies in support of or opposition to such Summary Judgment motions.[3] The parties have already reached an agreement regarding deadlines for compliance with P.R. 3-1 through 3-4.

Under this proposal, all parties would receive sufficient information and document production to move forward with *Markman* briefing on schedule if the Motions are denied. At the same time, the bulk of discovery costs are deferred until the Court can determine whether the claims against the Defendants should go forward.

[3] Specifically, Plaintiff's only obligations would be to produce infringement contentions and supporting documents under P.R. 3-1, the limited categories of documents in P.R. 3-2, and initial disclosures as defined in the Court's Discovery Order. Plaintiff would not be subject to the normal expenses of document production, responding to interrogatories, or defending depositions. Similarly, Defendants' only obligations would be to produce invalidity contentions under P.R. 3-3, representative documents showing product functionality under P.R. 3-4, and initial disclosures as defined in the Court's Discovery Order. Defendants would not be subject to the normal expenses of document production, responding to interrogatories, or defending depositions.

III. PLAINTIFF'S PROPOSAL TO ASSERT MORE THAN SIXTY CLAIMS AGAINST THE DEFENDANTS ADDS UNNECESSARY COMPLEXITY AND COST

According to the Third Amended Complaint, Plaintiff is seeking to assert more than sixty different claims against the Defendants in this case. *See* Ex. C (independent claims are **boldfaced**). To make this cumbersome case manageable, Defendants propose that no later than May 7, 2010, Plaintiff amend its Infringement Contentions to limit the total number of claims asserted against the Financial Defendants to no more than four (4) independent claims and no more than twelve (12) dependent claims and the total number of claims against the Telecommunications Defendants to no more than two (2) independent claims and no more than eight (8) dependent claims, or show good cause as to why it needs to assert additional claims. This Court has already expressed its concerns regarding the unusually large number of claims in this case, asking Plaintiff to reduce that number. Though Plaintiff has reduced the number of claims asserted against each Defendant, the total claims number of claims asserted in this case is still extremely large.

IV. POST-EARLY SUMMARY JUDGMENT FOCUSED DISCOVERY

The parties can most efficiently and economically prepare and try this case by engaging in focused discovery as laid out below. Counsel for Plaintiff agrees with these proposals.

Should the Court adopt Defendants' proposal for a partial stay of discovery pending resolution of a Summary Judgment Motion, these limitations would go into effect at the conclusion of that stay. Otherwise, they would apply immediately.

(1) No Collection or Production of E-mails: While in some cases there may be an expectation that highly probative information may be contained in e-mails and nowhere else, this is not such a case. Defendants expect that the technical merits of infringement and validity of the '003 Patent, the primary contested issues in this case, will be based on technical documents.

Emails are not likely to provide probative evidence on these issues. Defendants therefore propose that their Initial document production shall exclude e-mails. The collection, searching, and production of e-mails cause each Defendant to incur a substantial expense. Plaintiff shall have the option to request specific categories of relevant e-mails subject to a showing of specific need and good cause. Defendants shall not exclude any document from production on the basis that it exists as an attachment to an e-mail.

(2) Testifying Experts: Drafts of testifying expert reports and all correspondence and emails between litigation counsel and a testifying expert regarding the subject of the expert's opinion (including the expert's notes of conversations with counsel) shall not be subject to discovery or production. Other than these changes, the parties shall comply with the production required by FRCP 26(a)(2)(B) and the Court's local rules. This approach is consistent with the amendments to the rules scheduled to go into effect in December 2010.

V. CONCLUSION

Defendants' early summary judgment proposal allow the parties to efficiently reach the threshold question of whether Joao's claims can be sustained in light of the *Sleepy Hollow* Court's judgment, without forcing the parties to engage in costly and possibly unnecessary discovery. At the same time, the proposal requires sufficient discovery to allow *Markman* briefing to go forward as currently scheduled by the Court. Separately, Defendants' focused discovery proposal will allow the parties to efficiently prepare the case for trial while avoiding unnecessary expenses of comprehensive discovery.

Attached for the Court's convenience are two proposed Orders, one for Defendants' early summary judgment proposal, and one for its focused discovery proposal. Defendants respectfully request that the Court enter both proposed Orders.

Dated: April 26, 2010

Respectfully submitted,

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that all counsel of record who are deemed to have consented to electronic service are being served with a copy of this document via the Court's CM/ECF system per Local Rule CV-5(a)(3). Any other counsel of record will be served by facsimile transmission and/or first class mail this 26th day of April, 2010.

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